

## Message Text

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PAGE 01 SINGAP 01959 111219 Z

46

ACTION EA-14

INFO OCT-01 EUR-25 ADP-00 EB-11 L-03 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 H-02 DODE-00 PA-03 USIA-12 PRS-01 SEC-03

RSR-01 /173 W

----- 034908

P 111200 Z MAY 73

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC PRIORITY 8781

INFO AMEMBASSY JAKARTA PRIORITY

AMEMBASSY KUALA LUMPUR PRIORITY

AMEMBASSY LONDON PRIORITY

C O N F I D E N T I A L SINGAPORE 1959

E. O. 11652: GDS

TAGS: EFIN SN

SUBJECT: SINGAPORE REACTION TO MALAYSIAN BREAK WITH CURRENCY  
INTERCHANGEABILITY

REF: KUALA LUMPUR 2020

1. SINGAPORE REACTED WITH SURPRISE AND RESERVE TO GOM  
TERMINATION OF CURRENCY INTERCHANGEABILITY AGREEMENT.  
INEVITABILITY OF BREAK LONG RECOGNIZED HERE, BUT  
PREDICTED FOR ONE TO TWO YEARS HENCE. GOS NOTICEABLY  
"PLAYING IT COOL" IN WAKE OF GOM ANNOUNCEMENT. PERHAPS  
DUE TO ABSENCE OF PRIME MINISTER, MICHAEL WONG, DIRECTOR  
MONETARY AUTH., AND DEP. PM/ DEFENSE MINISTER GOH KENG SWEE.

2. BUSINESS AND GOVERNMENT SOURCES INDICATE CONTINUED  
OPTIMISM, POINTING OUT BOTH ECONOMIES ARE STRONG.  
MANY FEEL GOM DECISION MADE ON POLITICAL BASIS.

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3. EMBASSY COMMENT: WHILE THERE ARE CONFUSING AND RATHER CONTRADICTORY RUMORS ABOUT DEVALUATION OF SINGAPORE AND/ OR MALAYSIAN DOLLAR, SOME PRIVATE OBSERVERS HERE DISCOUNT POSSIBILITY SINGAPORE DEVALUATION IN VIEW GOS CONCERN ABOUT RISING IMPORT COSTS WHICH HAVE CAUSED SHARP COST- OF- LIVING INCREASES IN RECENT MONTHS. TWO RELIABLE PRIVATE BANKERS VIEW GOM ANNOUNCEMENT OF MAY 10 THAT SINGAPORE DOLLARS WILL NOT BE LEGAL TENDER IN MALAYSIA AFTER MAY 19 AS EFFORT BY GOM TO SET STAGE FOR FLOAT WHICH COULD MAKE MALAYSIAN DOLLAR LOOK STRONGER THAN SINGAPORE DOLLAR. GOS FINANCE MINISTER HAS STATED THAT SINGAPORE DOLLAR BEING TRADED AT CEILING PRICE AND GOS WILL MAINTAIN PRESENT PARITY WITH GOLD. ON OTHER HAND A USUALLY RELIABLE SOURCE IN THE PAP CADRE HAS JUST TOLD EMBOFF THAT A DEVALUATION OF BOTH CURRENCIES IS IMMINENT ; THE MALAYSIAN DOLLAR BY 15 PERCENT AND SINGAPORE DOLLAR BY 7 TO 10 PERCENT. THIS SOURCE SAYS DISAGREEMENT ON RATE OF DEVALUATION WAS REASON FOR SPLIT. AT THIS STAGE, IT' S ANYBODY' S GUESS WHAT WILL REALLY HAPPEN.  
CRONK

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* CONFIDENTIAL

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**Capture Date:** 01 JAN 1994  
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**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 MAY 1973  
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**Disposition Action:** RELEASED  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Subject:** SINGAPORE REACTION TO MALAYSIAN BREAK WITH CURRENCY INTERCHANGEABILITY  
**TAGS:** EFIN, SN  
**To:** EA  
JAKARTA  
KUALA LUMPUR  
LONDON  
SECSTATE WASHDC  
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